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LC/WAS/L.97 /c.1

Capital Flows to Latin America: Recent Developments



SIXTY YEARS WITH LATIN AMERICA AND THE CARIBBEAN

Washington, D.C., 12 May 2008

145834

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United Nations Publication

LC/WAS/L.97

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Printed in Santiago, Chile – United Nations

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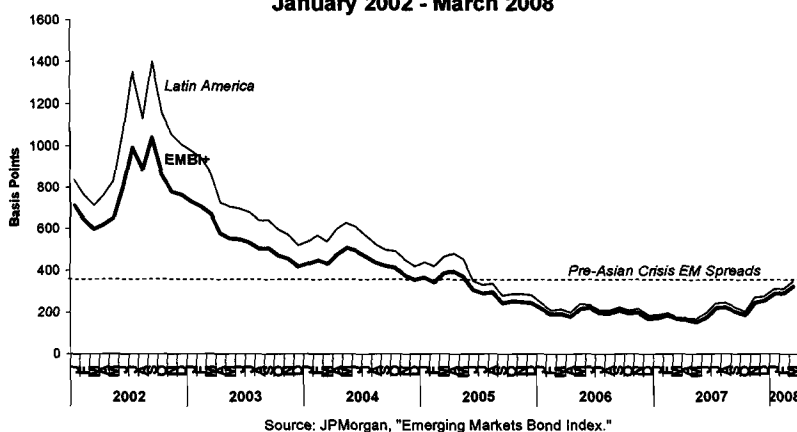
Introduction

Recent Developments*

In the midst of broad global market turmoil and mounting fears of a recession in the U.S., emerging markets have shown strong growth and economic resilience. For the first time in recent history, the external meltdown has not sparked capital flight from Latin America. Quite the contrary, Latin American markets have been seen by investors as a safe haven from the subprime woes afflicting the U.S. economy.

Despite showing significant resilience, Latin American debt spreads widened in the first quarter of 2008, and after reaching record lows in May 2007, they are now re-approaching pre-Asian crisis levels (see chart 1). The JPMorgan EMBI+ Latin American composite widened by 68 basis points in the first quarter, with spreads reaching 336 basis points at the end of March.

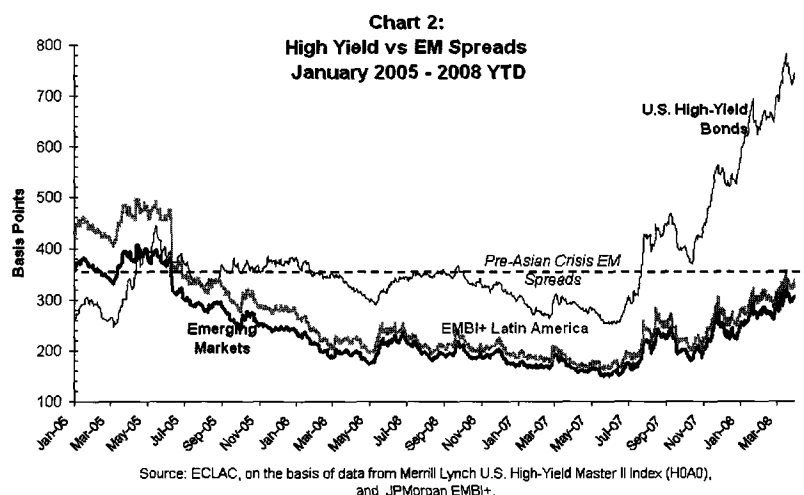
Chart 1:
EMBI+ Spreads and Latin American Component
January 2002 - March 2008



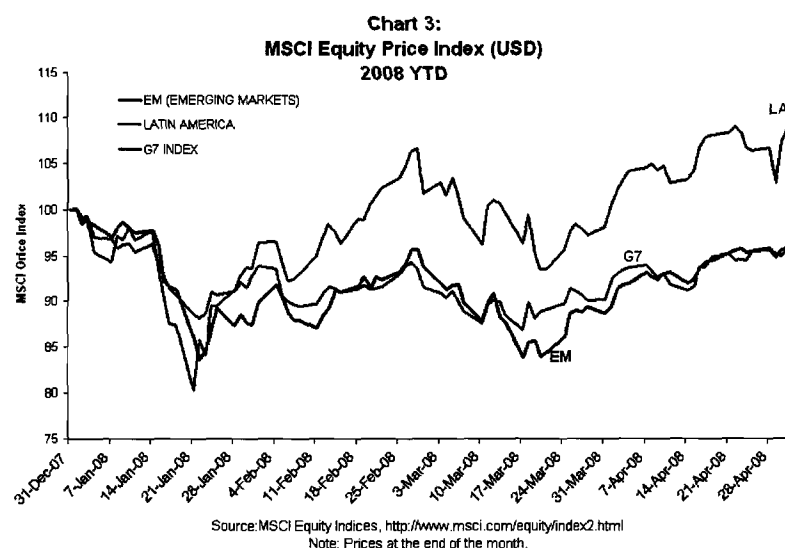
* This document has been prepared on the basis of market views and developments. All data and information are from market sources, unless otherwise noted.

In 2007, spreads remained at tight levels, although widening in comparison to 2006. The EMBI+ Latin American composite widened by 82 basis points in 2007, ending the year at 268 basis points. Most of the widening took place in the second half of the year, after Latin American spreads reached record low levels in May.

Spreads remain at low historic levels, however, and the recent increase in global volatility has put much less stress on emerging markets than it would have four or five years ago. On average, Latin American assets have become more attractive relative to other asset classes. Emerging market spreads are roughly half of the spreads on U.S. junk (high-yield) bonds, and have been under less pressure during the current turbulence in financial markets. The spread differential between the EMBI+ and the U.S. high-yield (“junk”) bonds has continued to soar in the first quarter of 2008, increasing to 410 basis points at the end of March 2008, compared to 291 basis points at the end of 2007 (see chart 2).



Latin American stocks have shown incredible resilience as well. Since the beginning of the year the Morgan Stanley Capital International (MSCI) Latin American Index gained almost 11%, while the Emerging Markets Index lost 3% and the G-7 Index lost 3.6% (see chart 3). In 2007 the MSCI-EM index gained 37%, while the Latin America component gained 47%, almost nine times as much as the MSCI-G7 index for developed markets.



There has been a tightening of financing conditions in Latin American markets more recently, however, although the region remains more resilient to shocks than in the past. Corporate external debt issuance has fallen sharply as market conditions have deteriorated since August 2007. JPMorgan has scaled back its forecast of emerging market corporate issuance of external bonds to half of last year's level: US\$ 72 billion for 2008, down from US\$ 150 billion in 2007, recognizing the adverse effect that the turmoil in global markets has had on corporate issuance.

In the first quarter of 2008, sovereigns accounted for 58% of the total Latin American debt issuance, while the corporate sector accounted for 42%. This was a departure from the past two years' trend. In 2007, corporate and bank issuance accounted for almost 80% of total Latin American external debt issuance according to data from Deutsche Bank, dominating Latin American external debt issuance for the second year in a row. Although corporates are shifting into financing through syndicated loans and private placements, there is a risk that prolonged turbulence could begin to constrain the corporate sector.

There was no external debt issuance in local currency in the first quarter of the 2008. In contrast, the share of local-currency bonds in total Latin American external debt jumped to 23% in 2007, compared to 8% in 2006 and 9.4% in 2005. Countries have continued to shift financing into local debt markets in the first quarter of 2008, however. Inflows into EM fixed income reached US\$ 6.6 billion in the first quarter, with over 90% of the net inflows directed to local markets according to JPMorgan.

Recent trends and the main developments of 2007 support the notion that Latin American economies are currently more solvent than in past credit crisis episodes. Portfolios in the region continue to be concentrated in instruments issued by the local governments and Latin American banks have minimal or nonexistent exposure to U.S. subprime securities. Countries in the region are fiscally stronger, having reduced their debt burdens and accumulated a large amount of foreign reserves, and their banking sectors are healthier, displaying fewer liabilities from non-performing loans than in previous episodes. Credit quality continued to improve as a result. Despite the current uncertainty in global markets, both Peru and Brazil have recently received an investment-grade rating.

The key external risks to Latin American markets' outlook include a worsening of the turmoil in global credit markets, a deeper and more prolonged downturn in the United States, and a sharper slowdown in global economic growth putting an end to the commodity boom (the ongoing strength of commodity prices has supported emerging markets assets in the past few years). Domestically, the biggest vulnerability is rising inflation, which could lead to various forms of policy tightening. The rapid increase in fiscal spending in some countries is also a risk. In addition, accelerating credit expansion is a near term concern for the monetary authorities.

Latin American policymakers may face difficult trade-offs in the months ahead because of the current combination of falling international interest rates, a weakening dollar, and rising food prices. Lower international interest rates and a weaker dollar have boosted capital inflows, which has put pressure on domestic currencies to appreciate. In the short-term, this may pose an impasse for monetary policy authorities, since in the absence of upward inflationary pressures they could mitigate appreciation pressures with interest rate cuts of their own. However, this is now very risky, given the rise in food and energy prices.

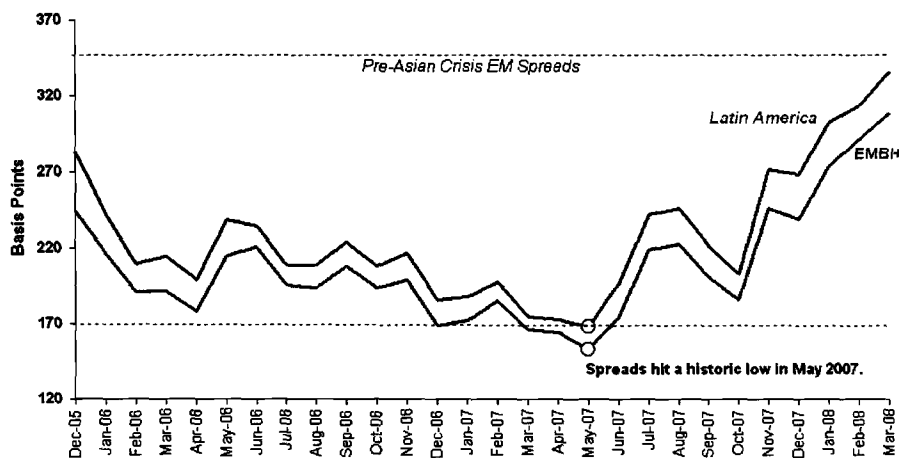
Economic prospects for Latin America are expected to remain positive, but a risk scenario exists. The real underlying risk and the relative impact of the current turmoil on the region hinge to a great extent on how events will play out in the United States, and on what will happen with growth in Europe and Asia, particularly in China. A U.S. downturn has been affecting Latin American countries differently, and should continue to do so in the near future: some will receive a more direct impact due to tight links with the U.S. economy, via trade or through the impact on remittances. Others will feel the impact more indirectly, mainly through lower global economic growth, as the U.S. downturn spreads to European and Asian countries.

I. Bond markets and debt management

Global risk appetite has declined significantly since August of last year and has led to a rise in credit spreads in emerging markets. In the first quarter of 2008, the EMBI+ widened by 69 basis points, while the Latin American component widened by 68 basis points. In 2007, EMBI+ spreads widened by 70 basis points, while the Latin American component increased by 82 basis points.

Emerging markets and Latin American spreads declined until May of 2007, with the EMBI+ reaching a record low of 153 basis points and its Latin component a record low of 168 basis points at the end of the month. The abundance of global liquidity and appetite for emerging market risk, as well as the continued broadening of the “investor base,” contributed to the lower level of spreads. However, the deepening of the U.S. crisis in the subprime mortgage sector and the contagion to global credit markets during the summer led to higher borrowing costs and an increase in spreads since then. EM and Latin American spreads remain at low historic levels, however, and the summer increase in global volatility placed much less stress on emerging markets than it would have four or five years ago (see chart 4).

Chart 4:
JPMorgan EMBI+ and Latin American Composites: Monthly Spreads
December 2005 to March 2008



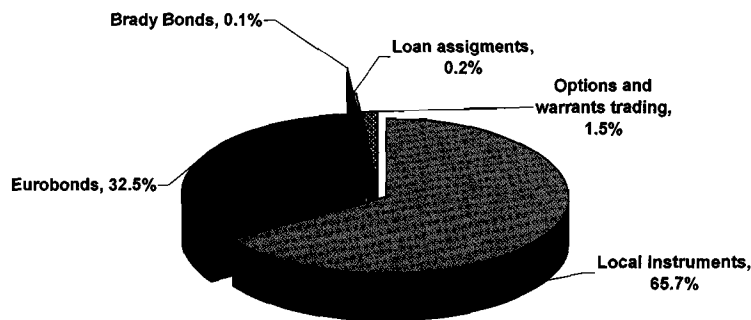
Source: JPMorgan, "Emerging Markets Bond Index Monitor".

Countries with improved economic fundamentals that have built up significant financial cushions against external shocks issued more local-currency debt in 2007 while decreasing their reliance on foreign-currency bond issues. According to participants in EMTA Debt Trading Volume Survey, local instrument trading accounted for US\$ 4.264 trillion in Survey activity, nearly 2/3 of the total reported trading in 2007. This compares with US\$ 3.687 trillion in 2006 (a 16% increase), when local markets accounted for 57% of total volume, and with a 47% share in 2005. Nearly all local markets instruments tracked in the Survey are denominated in local currencies.

In contrast to the increase in local market instruments, Eurobond volumes, at US\$ 2.110 trillion, declined 21% when compared to 2006. Eurobond sovereign volumes accounted for 21% of Survey volume in 2007, down from 33% in 2006. Although the biggest share of Eurobond trading is still composed by sovereign issues, corporate bond turnover reached its highest annual trading level at US\$ 676 billion in 2007, up 48% from its 2006 level. Corporate volume's market share rose to 10% in 2007, compared to 7% in 2006. According to JPMorgan, EM corporate issuance matched the level of U.S. high-yield issuance for the first time in 2007. Brady bonds volumes continued to decline, dropping to just US\$ 4 billion or 0.1% of the total volume in 2007 (see chart 5).

Chart 5:
2007 Emerging Markets Debt Trading Volume
by Type of Instrument

Trade Volume in 2007: US\$ 6.489 trillion



Source: EMTA

Latin American dominated local markets investor activity. The most frequently traded local instruments were those from Mexico (US\$ 1.2 trillion), Brazil (US\$ 625 billion), followed by South Africa, Turkey and Argentina (US\$ 293 billion). Local debt instruments from Mexico, Brazil and Argentina accounted for nearly half of all emerging markets local debt (see chart 6).

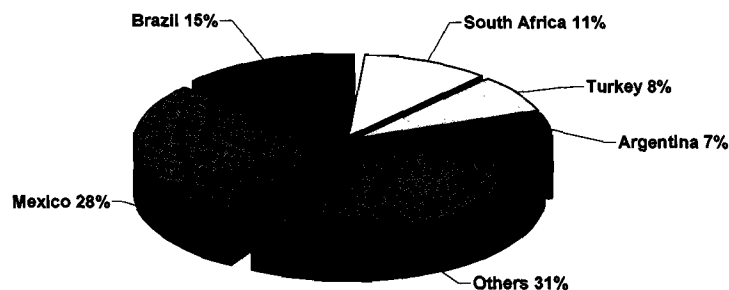
In the case of Mexico, local markets volume accounted for 85% of total volume in 2007, compared to an 82% share the previous year. Domestic demand has been driving much of the Mexican local markets volume. Mexican instruments remained the most frequently traded instruments overall, with a 22% share of total Survey volume.

Brazilian instruments were the second most frequently traded in 2007, but trading volumes declined by 20% compared to 2006. Local markets volume accounted for 55% of total Brazilian volume, and Brazilian activity accounted for 18% of total debt turnover.

Argentina's debt instruments were the Survey's third most frequently instruments at US\$ 520 billion, a 26% increase compared to 2006's volume. Local market volume accounted for 56% of total Argentine volume and Argentina's activity accounted for 8% of total Survey volume (see chart 7).

Chart 6:
2007 EM Local Markets Debt Trading Volume:
Country Shares

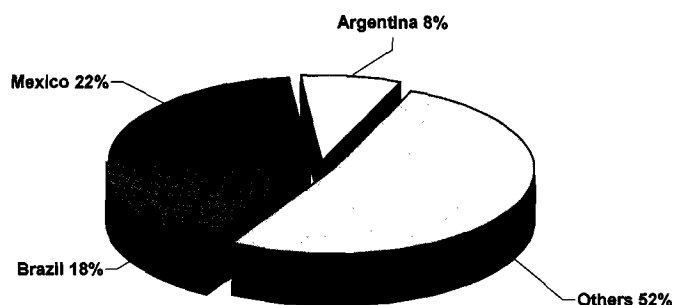
Local Market Trade Volume in 2007: US\$ 4.264 trillion



Source: EMTA

Chart 7:
2007 Emerging Markets Debt Trading Volume:
Country Shares

Trade Volume in 2007: US\$ 6.489 trillion



Source: EMTA

According to JPMorgan's estimates, inflows into emerging market fixed-income securities, both dollar-denominated and local-currency debt, could reach US\$ 40 billion in 2008, compared to US\$ 13 billion in 2004. New and growing sources of inflows include sovereign wealth funds, Japanese retails and U.S. pension allocations. However, with so many countries in the path of achieving investment-grade status, the asset class may start to lose some of its risky allure (see box 1).¹

¹ Many Latin American sovereigns are in the path of achieving investment grade. Peru went ahead and received an investment grade by DBRS, a Canadian ratings company, in October 2007, and more recently by Fitch, on April 2, 2008. The other two major credit rating agencies – S&P and Moody's – have kept their ratings unchanged. The upgrade, according to the agencies, reflected the credit's achievements of sustained economic growth and a declining debt burden within a framework of fiscal discipline and sound monetary policy. Booming economic growth has allowed Peru to pay debts ahead of schedule, and in March the country bought back \$838 million in Brady bonds and also announced that it would pay \$1.1 billion in World Bank and Inter-American Development Bank loans ahead of schedule. Following Peru, Brazil received an investment grade by S&P on April 30, 2008, reflecting the maturation of the country's institutions and policy framework, as demonstrated by the easing of fiscal and external debt burdens and improved growth prospects.

BOX 1: CREDIT RATING ACTIONS IN LATIN AMERICA – Q1 2008

There have been 6 positive actions in Latin America and the Caribbean since the beginning of 2008, including the long-awaited upgrades of Peru and Brazil to investment-grade.

Positive Actions: 6 (Bold)*January*

- Panama: on January 29, **Fitch revised the country's sovereign outlook upwards from stable to positive**, citing "a virtuous circle of growth momentum and fiscal consolidation."

February

- Colombia: on February 25, S&P affirmed Colombia's sovereign credit rating, with a stable outlook (no change).
- Panama: on February 26, **S&P raised the country's sovereign credit rating from BB to BB+**, one notch below investment grade, citing strong growth and a reduction in government debt.
- El Salvador: on February 27 Fitch affirmed the country's sovereign rating, with a stable outlook (no change).

March

- Ecuador: on March 20, **Moody's upgraded Ecuador's foreign currency rating by two notches to B3 from Caa2**, citing strong oil revenues.

April

- Peru: on April 2, **Fitch raised Peru's rating to investment grade, moving it up one notch from BB+ to BBB-**, citing an improving debt profile because of rising commodity exports.
- Paraguay: on April 9, **Moody's upgraded Paraguay's foreign and local currency to B3 from Caa1**, citing a reduction in debt vulnerabilities thanks to higher export prices and fiscal surpluses recorded in the past 4 years.
- Brazil: on April 30, **S&P upgraded Brazil's foreign debt a notch to investment grade (BBB-)** in a widely anticipated endorsement of the country's recent economic and political changes. Although an upgrade had been anticipated, most investors were surprised by the timing of the decision.

Negative Actions: 1

- Dominican Republic: on February 08, Standard & Poor's placed its B+ sovereign credit rating on CreditWatch, with negative implications. The agency said the move reflected uncertainty surrounding promissory notes due between March and July 2008. These notes are part of a series totaling US\$130mn issued over the course of 2006 to SunLand Corporation and sold to other investors.
- Argentina: on April 25, **S&P downgraded the country's outlook to negative from stable**, on concerns over inflation and fiscal policy.

CREDIT RATING ACTIONS IN LATIN AMERICA – 2007

In 2007, there were eighteen positive credit rating actions by S&P, seven by Moody's and seven by Fitch. Most changes cited lower financing needs on the part of the countries, as well as good economic policies; there were only four negative credit rating actions.

Positive Actions: 32 (Bold)*January*

- Argentina: on January 16, **Moody's raised the sovereign's credit outlook to positive** from stable, citing improvement in the fiscal accounts, robust economic growth and the substantial accumulation of international reserves.

February

- Belize: on February 13, **Moody's upgraded the sovereign's ratings following the restructuring of external debt**. The country's foreign currency bond ratings were raised two notches from Caa3 to Caa1, with a stable outlook.
- Belize: on February 20, **S&P upgraded Belize's foreign currency rating to "B" from "SD-selective default" following the restructuring of external debt**. The restructuring helped to lengthen debt maturity and decrease interest payments, although it did not reduce the government's debt stock.

(Continued)

Box 1 – (cont.)*March*

- Colombia: on March 05, **S&P upgraded Colombia's sovereign external debt rating to BB+ from BB with a stable outlook**, noting the "significantly improved growth prospects", lower debt and reduced external vulnerabilities. The action brought the sovereign to only one notch below investment grade.
- Jamaica: on March 07, S&P affirmed Jamaica's sovereign external debt rating, with a stable outlook (no change).
- Peru: on March 08, the sovereign rating was placed under review for a possible upgrade by Moody's. The announcement was not a surprise to market participants as Moody's rates the sovereign at Ba3, two notches below both S&P (BB+) and Fitch (BB+). The action was prompted by Peru's improved external balances.

May

- Dominican Republic: on May 02, **Moody's upgraded the Dominican Republic to B2 from B3**, citing the recovery in the economy over the last two years and the reduction of debt ratios to pre-crisis levels.
- Panama: on May 03, **S&P revised the outlook for Panama's sovereign debt to positive from stable**. The agency said it will upgrade the rating if improvements in the fiscal position endure, the economy continues to diversify, and the expansion of the Panama Canal does not overburden government finances.
- Uruguay: on May 03, **S&P also revised the outlook on Uruguay's B+ rating to positive**, citing recent liability management operations and improved fiscal and external ratios.
- Brazil: on May 09, **Fitch Ratings upgraded Brazil to BB+ from BB**, one notch lower than investment grade, and one notch higher than the other two major rating agencies' ratings for foreign currency long-term debt. The upgrade reflected the improvement in Brazil's external position and rise in domestic savings. *It also raised Brazil's country ceiling to BBB- from BB+.*
- Chile: on May 15, **Fitch upgraded its outlook on Chile's A sovereign rating to positive from stable**, saying that continued positive trends in public finance and external balance sheets raises the likelihood of an upgrade in the next two years.
- Brazil: on May 16, **S&P upgraded the sovereign to BB+, and the long-term local currency rating two notches to an investment grade rating of BBB, from BB+**. The upgrades reflected continued declines in fiscal and external vulnerabilities and proactive debt management. S&P kept a positive outlook on the rating. The action brought Brazil just to one notch below investment grade.
- Brazil: on May 24, **Moody's placed Brazil's long-term foreign currency rating on review for a possible upgrade.**

June

- Paraguay: on June 04, citing fiscal surpluses, **S&P raised Paraguay's sovereign credit rating one notch to B**, five steps below investment grade.
- Panama: on June 05, **Moody's upgraded Panama's ceiling one notch to A3**, its fourth lowest investment grade rating. Moody's rating action does not affect Panama's sovereign credit rating, which remains unchanged at Ba1, one notch below investment grade. In support of the action the agency cited a decline in the risk of disruption to the nation's dollar payments system, and the country's recent relative macroeconomic and political stability.

S&P released new sovereign recovery ratings on June 12, providing positive news for Colombia, Costa Rica and Uruguay. It created a new category, the *Sovereign Recovery Rating (SRR)*, which assigns countries numerical values representing recovery values, whereas the traditional *Issuer Credit Rating (ICR)* essentially captures only the probability of a default taking place. According to the new "recovery ratings", the foreign currency unsecured ratings of bonds in three Latin American countries were upgraded (the countries' issuer credit ratings remain unchanged):

- Colombia: on June 12, **S&P upgraded the foreign currency unsecured debt to BBB- (investment grade)**. However, for investors who are only allowed to invest in investment grade countries, Colombian bonds will still not qualify, since Colombia's ICR remains BB+, one notch below investment grade.
- Costa Rica: on June 12, **S&P upgraded Costa Rica's foreign currency unsecured debt to BB+ from BB**.
- Uruguay: on June 12, **S&P upgraded the foreign currency unsecured debt to BB-**.

(Continued)

Box 1 – (cont.)

- Colombia: on June 21, **Fitch upgraded Colombia to BB+**, just one notch below investment grade, citing the country's improved debt dynamics, strong growth and sound fiscal management.
- Colombia: on June 25, **Moody's raised the outlook on the sovereign's Ba2 credit rating to positive from stable**, as a result of diminished security concerns, which has given a major boost to foreign direct investment.

July

- Mexico: on July 02, **S&P raised the outlook on Mexico's BBB long-term foreign currency sovereign credit rating, from stable to positive**, highlighting growing prospects for fiscal reform, steadily improving external liquidity and a lighter external debt burden.
- Guatemala: on July 06, **S&P affirmed Guatemala's BB rating and raised its outlook to positive**, reflecting growing prospects for policy continuity after this fall's national elections.
- Peru: on July 16, **Moody's upgraded Peru's sovereign foreign-currency bond rating to Ba2 from Ba3**, with a stable outlook, highlighting the improvement in external debt indicators supported by a sustained strong export performance. The rating had been placed under review on March 8. Despite the upgrade, Moody's rating still trails behind the other two main rating agencies.
- Guatemala: on July 19, **Fitch affirmed Guatemala's BB+ rating with a stable outlook (no change)**.
- Peru: on July 23, **S&P revised its outlook for the sovereign's debt rating to positive from stable**, highlighting strong economic growth prospects, and able debt management.
- El Salvador: on July 25, **S&P affirmed El Salvador's BB+ rating, with a stable outlook (no change)**.
- Bolivia: on July 27, **Fitch upgraded Bolivia's outlook to stable, and affirmed its B- rating**.
- Uruguay: on July 27, **Fitch upgraded Uruguay's foreign currency rating to BB-**, two notches below investment grade, citing lower financing needs to higher economic growth and conservative fiscal policies.

August

- Barbados: on August 17, **S&P affirmed Barbados BBB+ rating, with a stable outlook (no change)**, saying that the country's political and exchange-rate regimes' high stability continues to support its investment grade.
- Brazil: on August 23, **Moody's upgraded Brazil's foreign and local currency debt ratings to Ba1**, or one notch below investment grade, citing significant improvement in the government's debt profile. The move followed similar actions by the other two rating agencies (taken in May), and stressed the country's underlying strong fundamentals.

September

- Dominican Republic: on September 04, **S&P upgraded the country's debt rating to B+ citing fiscal improvement**.
- Mexico: on September 19, **Fitch granted a one-notch sovereign upgrade to Mexico to BBB+ with a stable outlook**. The action followed the passage of a landmark fiscal reform in the week before. The action brings Fitch in line with Moody's Baa1 rating, and one notch higher than S&P's BBB.
- Argentina: on September 25, **S&P affirmed its B+ long-term and B short-term sovereign ratings with a stable outlook**.
- Trinidad & Tobago: on September 27, **S&P affirmed its A- long-term foreign currency sovereign credit rating and revised its outlook to positive from stable**, highlighting the strengthening of macroeconomic stability and external flexibility through continuing fiscal and current account surpluses.

October

- Costa Rica: on October 08, **S&P affirmed its BB foreign and BB+ local currency long-term credit ratings, with a stable outlook (no change)**. The agency decided not to change the credit ratings despite the positive vote to support CAFTA, which, the agency acknowledged, was a positive signal sent to markets.
- Mexico: on October 08, **S&P raised Mexico's sovereign long-term foreign debt rating one notch to BBB+ with a stable outlook**, in recognition of the tax reform bill approved a month earlier.
- Jamaica: on October 12 **Fitch affirmed Jamaica's credit ratings with a stable outlook (no change)**.
- Ecuador: on October 30, **Fitch affirmed Ecuador's CCC rating with a stable outlook, while taking the sovereign out of Credit Watch Negative**. The outlook revision reflected a perceived reduction in risk of a potential distressed debt exchange in the near term.

(Continued)

Box 1 – (conclusion)*November*

- Costa Rica: on November 01, Fitch affirmed the sovereign's credit rating, with a stable outlook (no change).
- Bolivia: on November 02, **S&P affirmed Bolivia's B- credit rating, while revising the outlook to stable from negative.** The revision reflected the credit's track record of adherence to stable macroeconomic policy and improvement in key economic and vulnerability indicators.
- Venezuela: on November 16, S&P affirmed its BB- long-term, and B short-term sovereign credit ratings, keeping the outlook stable (no change).
- Ecuador: on November 20, **S&P raised its long-term rating to B- from CCC, with a stable outlook.** The agency listed the sufficient liquidity for debt service and higher social- and infrastructure-spending amid high oil prices. Another positive factor comes from improvement in transparency and "willingness to pay."
- Paraguay: on November 28 Moody's placed Paraguay's ratings on review for a possible upgrade.

December

- Belize: on December 10, S&P affirmed the sovereign's credit rating, with a stable outlook (no change).
- Chile: on December 18, **S&P upgraded Chile's foreign currency debt rating to A+ from A,** citing fiscal improvements, as the government set aside more than US\$ 10 billion in 2007 to cover future costs of social programs and pensions.
- Brazil: on December 21, S&P affirmed Brazil's credit rating, with a positive outlook (no change).

*Negative Actions: 4**January*

- Venezuela: on January 11, **S&P lowered Venezuela's credit rating outlook to stable from positive,** citing the announcement of policies to increase state control over the economy, as well as plans to strip the central bank of its autonomy, as a concern.
- Ecuador: on January 22, **S&P cut the sovereign's credit rating to CCC and lowered the outlook to negative from stable,** citing the government's intention to restructure its foreign-currency-denominated debt, the subordination of timely debt service to other political priorities, and the historically weak payment culture.
- Ecuador: on January 30, **Moody's downgraded the country's foreign-currency bond rating one notch to Caa2, and lowered the outlook on the rating to negative from stable,** highlighting the repeated debt restructuring threats from the new administration, and noting that with debt service already low, "a meaningful alleviation of cash flow could only be obtained by restructuring with sizeable losses to creditors."

October

- Venezuela: on October 18 **Fitch revised the outlook on Venezuela's long-term foreign and local currency Issuer Default Ratings (IDR), to negative from stable, while affirming the BB- rating.** The agency highlighted the country's increasingly unsustainable macroeconomic policy framework, which has resulted in greater vulnerability of external and public sector accounts to a decline in oil prices.

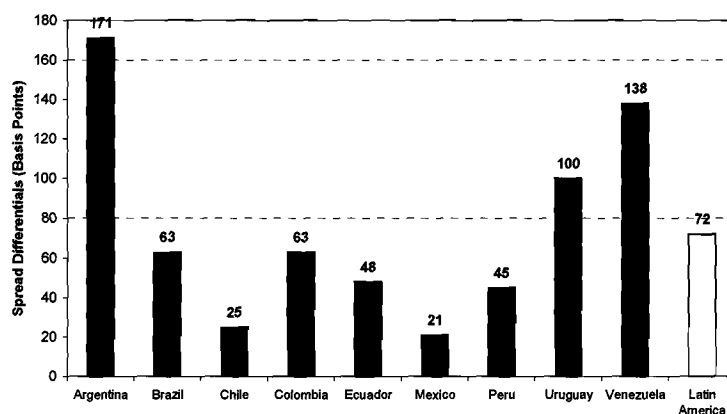
Positive credit ratings have continued to support Latin American debt issuance, which remained strong in 2007. According to Deutsche Bank, 24 corporate issuers crossed the grade threshold to investment grade in 2007 compared to only 16 in 2006.² Corporate issuance in 2007 was more than three times the total amount issued by sovereigns in the region. Record high commodity prices and rising cash reserves have reduced sovereigns' need to tap international debt markets.

² All the upgrades were from Brazil (except for one from Chile), half of which followed the Brazilian sovereign country ceiling rating upgrade to BBB- from BB+ in May 2007 by Fitch. Corporates paved the way for Brazil's move into investment grade territory on April 30, 2008.

A. Spreads³

Spreads widened in the first quarter of 2008. The JPMorgan EMBI Global increased by 69 basis points, while its Latin American component widened 72 basis points. The region's widening in spreads in the first quarter was a result of higher spreads for all the countries in the composite (see chart 8, box 2).

Chart 8:
EMBI Global Q1 2008 Spread Differentials



Source: ECLAC, on the basis of data from JPMorgan.

BOX 2: EMBI GLOBAL LATIN COMPOSITE: COUNTRY SPREADS Q1 2008

The deteriorating global market conditions have been felt in the region since the beginning of the year, with spreads for all countries in the composite widening in the first quarter. There has been some differentiation among the countries, however, which have been explained by their specific domestic conditions.

Argentina's bond spreads widened 171 basis points in the first quarter of 2008 with spreads increasing from 410 basis points at the end of December 2007 to 581 basis points at the end of March 2008. Given Argentina's limited access to international capital markets, the country has relied heavily on export taxes on commodities as a source of funding and a way to improve its fiscal position. Investors fear that the economy's ability to cushion a potential adjustment caused by a fall in commodity prices is limited given its reduced market access. Inflation has also remained a concern. In addition, a recent farmers' strike has highlighted that the periodic upward adjustments to export rates on commodities has become more difficult, thus investors expect Argentina to remain vulnerable to volatile markets conditions.

Brazilian spreads widened 63 basis points in the first quarter, with spreads increasing from 220 basis points at the end of December 2007 to 283 basis points at the end of March 2008. Brazil has shown resilience in face of global deteriorating conditions. It has a supportive technical position (external debt buyback operations and the increasing securitization of private credit and real state have supported Brazilian debt) and a benign inflow of FDI. The sovereign has moved into investment-grade territory with S&P's upgrade of Brazil's sovereign credit in April 2008.

(Continued)

³ The spread levels discussed in this section refer to the EMBI Global Index, which also includes Chile and Uruguay in addition to the countries included in the EMBI+. The EMBIG expands upon the composition of the EMBI+ by using a different country selection process and instrument selection process. The EMBI Global defines emerging markets countries with a combination of World-Bank-defined per capita income brackets and each country's debt-restructuring history. These two criteria allow the EMBI Global to include a number of higher-rated countries that international investors have nevertheless considered part of the emerging markets universe.

Box 2 – (conclusion)

However, there have been concerns about the expansion of domestic credit and inflationary pressures. According to Goldman Sachs, the mix of lower interest rates, strong credit growth, increasing government spending and real wage growth in excess of labor productivity, is boosting domestic demand. These policies have contributed to shift the current account surplus into a deficit, rendering the external accounts somewhat vulnerable to external shocks for the first time in years, at the same time as inflation is rising.

Chilean spreads widened by 25 basis points in first quarter, with spreads increasing from 151 basis points at the end of December 2007 to 176 basis points at the end of March 2008. Chile has the lowest spread in the Latin American composite of the EMBI Global, reflecting the country's solid macroeconomic stability and low financial needs. However, following the global pattern, Chilean spreads increased in the first quarter of the year as a result of increased global volatility. On the domestic side, inflation is a concern and has had a contractionary impact on spending, with consumption moderating as a result. The Central Bank has now a tightening bias. Chile's counter-cyclical policies are expected to cushion the economy and the currency amid domestic and global uncertainties.

Colombian spreads widened by 63 basis points in the first quarter, with spreads increasing from 195 basis points at the end of December 2007, to 258 basis points at the end of March 2008. According to JPMorgan, Colombia has already fulfilled its external market issuance needs for the year, but "its twin deficits – although manageable – still raise warning flags in times of stress."

Ecuadorian spreads widened by 48 basis points in the first quarter, from 614 basis points at the end of December 2007, to 662 basis points at the end of March 2008. Spreads widened as a result of deteriorating global credit conditions and uncertainty about Ecuador's constitution (to be concluded in May) and new elections (to take place after the new constitution is approved), which have kept investors waiting for more definition. The government should continue to have ample liquidity, however, as oil prices remain high and the government continues to carry out public spending in a slow pace.

Mexican spreads widened by 21 basis points in the first quarter, from 172 basis points at the end of December 2007 to 193 basis points at the end of March 2008. Although the U.S. downturn has deepened and risk aversion has increased, the Mexican economy has surprised markets on the positive side by showing resilience. Good fundamentals and continued external debt buybacks (US\$ 174 million announced in early March) help explain Mexico's increased resilience. In addition, expectations that a possible energy reform could eventually be approved have given some support to Mexico's assets. Risks are on the downside, however, if the U.S. downturn becomes deeper and more prolonged than anticipated.

Peruvian spreads widened by 46 basis points in the first quarter, from 178 basis points at the end of December 2007, to 223 basis points at the end of March 2008. Supportive liability management boosted Peruvian assets and contribute to the sovereign's move into investment grade territory announced by Fitch on April 2. The government intends to prepay US\$ 1.1 billion of IADB and World Bank debt by the middle of the year, to be financed mostly by Treasury resources and maybe some domestic issuance.

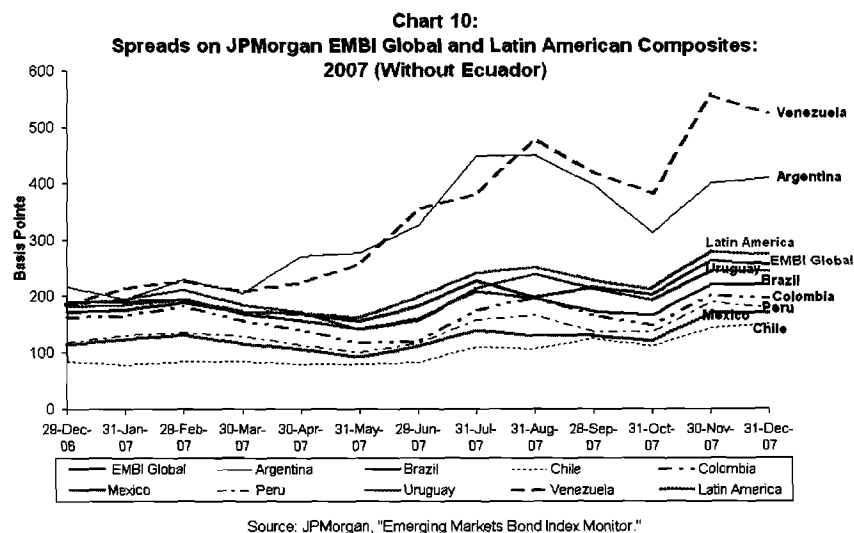
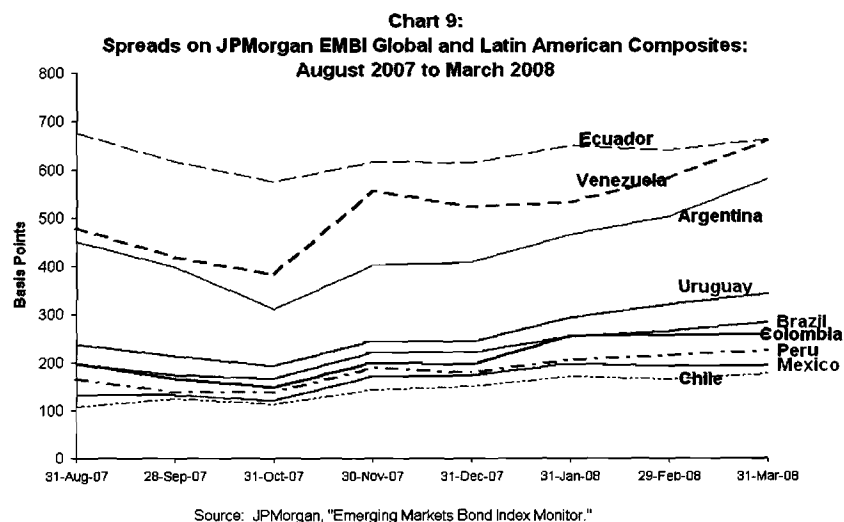
Uruguayan spreads widened by 100 basis points in the first quarter, from 243 basis points at the end of December 2007 to 343 basis points at the end of March 2008. Following the pattern of the other countries in the region, Uruguay's spreads widened in face of increasing volatility and turmoil in global financial markets. Although the banking system has improved its performance, it nonetheless remains exposed to possible repercussions of international financial turmoil and to a bloated public sector. Reforms are moreover pending in several areas. In addition, being an oil importer, Uruguay has been adversely affected by climbing oil prices.

Finally, Venezuelan spreads widened by 138 basis points in the first quarter, from 523 basis points at the end of December 2007 to 661 basis points at the end of March 2008. Despite Venezuela's still strong balance sheet and oil prices over US\$ 100, investors seem increasingly weary of slowly deteriorating fundamentals, higher market uncertainty and rising inflation.

Since the outset of the U.S. subprime crisis, Latin American debt has become more attractive to investors. As mentioned earlier, the spread differential between Latin American debt and U.S. high-yield bonds, which has soared recently, is a proof of this increased appeal. However, the improvement in Latin American debt's attractiveness to investors has masked significant variations within the region. The

evolution of the EMBI Global spreads since August of last year suggests, according to the World Bank, a clustering of Latin American countries into three groups: investment grade countries, which show the lowest and least volatile spreads in the region; low EMBIG countries, perceived as low risk by investors and where spreads are converging towards the level and volatility of investment grade Latin countries; high EMBIG countries, which are perceived as high risk and whose spreads have been closer in level and volatility to the U.S. high-yield bond spreads.⁴

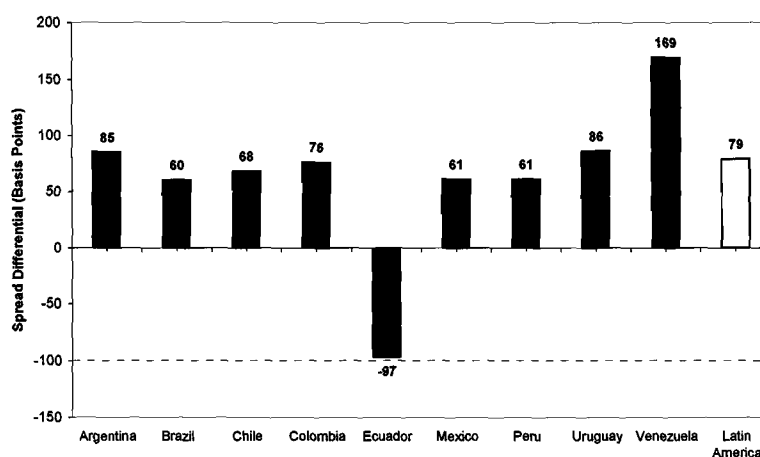
Chile and Mexico have the lowest spreads in the EMBIG composite. Peru, Brazil, Colombia and Uruguay have displayed low EMBIG spreads, with Peru and Brazil having already received an investment-grade last month, and Colombia on the path of achieving an investment grade in the near future. Argentina, Ecuador and Venezuela are among the countries with the highest and most volatile spreads in the composite (see chart 9).



⁴ "Latin America's New Immune System: How is it coping with the Changing Environment?", World Bank, Office of Regional Chief Economist's Press Conference, IMF-World Bank Spring Meetings, April 2008. The first group includes Chile and Mexico; the second includes Brazil, Colombia, El Salvador, Panama, Peru, Trinidad & Tobago, Uruguay; the third includes Argentina, Belize, Ecuador, Dominican Republic, and Venezuela.

For 2007 as whole the EMBIG widened by 84 basis points, while its Latin American component widened 95 basis points. Most of the widening took place in the second half of the year, with the Latin component widening 79 basis points during this period. With the exception of Ecuador, all other countries in our sample registered an increase in spreads in the second half of 2007. Spreads in Ecuador tightened as investors' fears that the country would restructure its debt abated (see charts 10 and 11).

Chart 11:
EMBI Global H2 2007 Spread Differential

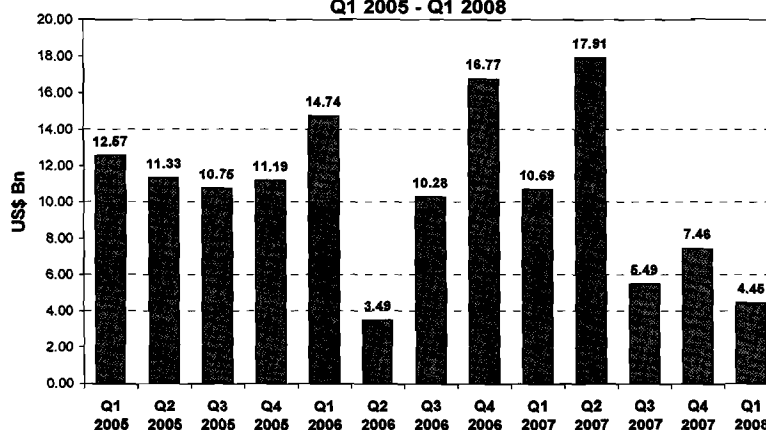


Source: ECLAC, on the basis of data from JPMorgan.

B. Issuance

Latin American bond issuers placed a total of US\$ 4.45 billion in international capital markets in the first quarter of 2008 according to data from JPMorgan, the lowest amount issued in the region since the second quarter of 2006 (see chart 12). The decline reflects a tightening of financing conditions in Latin American markets resulting from problems in global credit markets, although the region remains more resilient to shocks than in the past. While sovereign debt issuance has been relatively resilient, corporate external bond issuance has fallen sharply as market conditions have deteriorated.

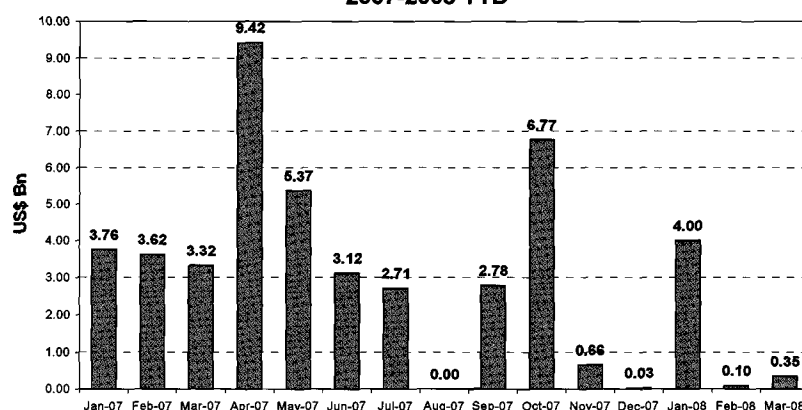
Chart 12:
Latin American Issuance by Quarter
Q1 2005 - Q1 2008



Source: ECLAC, on the basis of data from JPMorgan, Deutsche Bank, and Latin Finance.

Latin American debt issuance started off strong in 2008, with a flurry of new sovereign and corporate issues totaling US\$ 4 billion in January (see chart 13). Colombia tapped its 2017 for US\$ 650 million and its 2037 for US\$ 350 million. Mexico issued US\$ 1.5 billion, maturing in 2040 (see appendix C, table 15). With these issues, Colombia has satisfied its external financing needs for the year, while Mexico has satisfied more than half of its financing needs. However, the environment for new debt issuance has become more challenging. Potential issuers have been wary of increasing issuance given that spreads have been widening and market volatility has increased. Sovereigns that could have issued since market conditions started to deteriorated have chosen not to do so, Brazil being the most noticeable case. In the first half of 2007 the Brazilian sovereign issued US\$ 2.9 billion, and has not issued in international markets since last July.

Chart 13:
New Latin American Debt Issuance
2007-2008 YTD



Source: ECLAC, on the basis of data from JPMorgan, Deutsche Bank and Latin Finance.

One important factor contributing to the downward trend in sovereign external debt issuance is the rising availability of non-bank debt related flows through local market investment channels. According to the Institute of International Finance (IIF), the region has been increasingly attracting non-bank debt flows for three reasons: the aggressive easing by the U.S. Federal Reserve since September has contributed to widen the interest rate differential between U.S. and Latin American markets; the widening in this differential is leading to rising expectations of currency appreciation; and local markets have been attracting global fixed investors seeking to diversify their investments.⁵

Investors expect that a majority of the region's issuance in 2008 will come in the corporate and local market sectors, taking advantage of the favorable domestic borrowing conditions and the search of insulation from the currency risk associated with hard currency-denominated bonds. This would be a continuation of the trends seen in 2007.

In 2007, emerging markets issuance reached US\$ 175 billion, compared to US\$ 167 billion in 2006, according to ECLAC estimates based on information from JPMorgan, Deutsche bank and Latin Finance.⁶ Emerging markets issuance was strong last year despite financial turbulence in global financial markets. High levels of liquidity, low risk aversion and strong inflows supported emerging markets in both local and external debt for most of the year, with investors seeking emerging markets as a safe haven after the turmoil in credit markets erupted. The increase over the amount issued in 2006 also reflects a continued surge of corporate issuance. However, although total EM bond issuance rose in 2007,

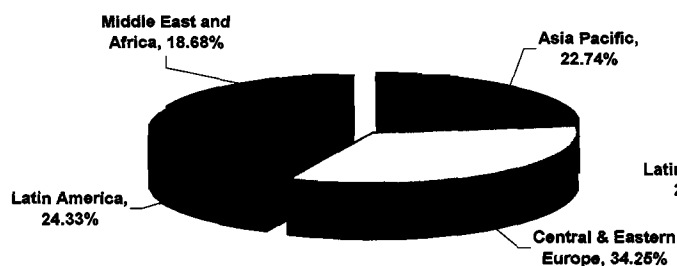
⁵ "Capital Flows to Emerging Market Economies," Institute of International Finance, Inc., 6 March 2008.

⁶ The information for 2006 is based on data from JPMorgan only.

the biggest share of that issuance took place in the first half of the year, before the outset of the U.S. subprime and global credit markets crisis. New issuance in the first half of the year responded to the favorable borrowing conditions and historically low yields, as well as to the improving quality of emerging markets credit.

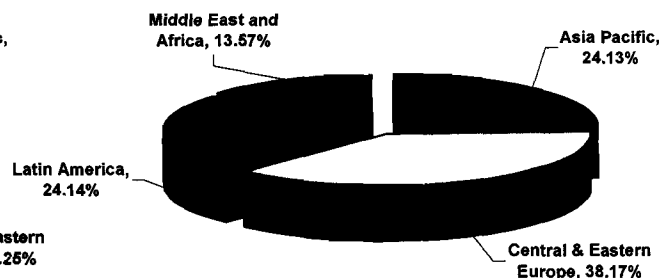
Latin American bond issuers placed US\$ 41.6 billion in international capital markets in 2007, compared to US\$ 45.3 in 2006, as debt issuance in the second half of the year decreased in comparison to the same period in 2006. Latin American issuance was the third largest share of total EM issuance in 2007 and in the first quarter of 2008, following emerging Europe and Asia (see charts 14 and 15).

Chart 14:
Emerging Markets Debt Issuance: Regional Breakdown
2007



Note: Total Emerging Market debt issuance in 2007 is 175 billion.
Source: ECLAC, on the basis of data from JPMorgan, Deutsche Bank, Latin Finance.

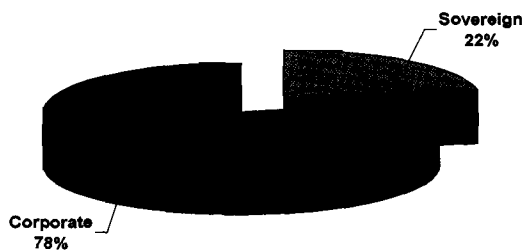
Chart 15:
Emerging Markets Debt Issuance: Regional Breakdown
2008 Q1



Note: Total Emerging Market debt issuance in Q1 was 18.4 billion.
Source: ECLAC, on the basis of data from JPMorgan.

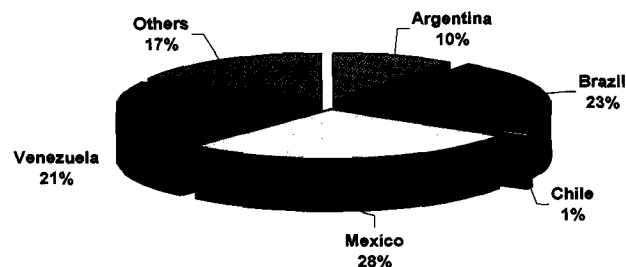
Latin American external debt issuance was dominated by corporates in 2007, for the second year in a row. Corporate and bank issuance in Latin America accounted for 78% of total issuance in 2007 according to Deutsche Bank (see chart 16). Corporate issuance in the region has been well distributed across industries, with energy- and commodities-related deals representing the biggest share of the corporate deals, followed by the bank, and the technology and telecom sectors. Mexican corporates accounted for the largest share of total corporate debt issuance within the region (28% of all Latin American corporate issuance), followed by Brazil (23%), Venezuela (21%), Argentina (10%) and Chile (see chart 17). Venezuelan corporates assumed the third place with three big issues by PDVSA in April 2007.⁷

Chart 16:
Latin America Corporate vs. Sovereign Issuance
2007



Source: Deutsche Bank

Chart 17:
Latin America Corporate Issuance by Country
2007

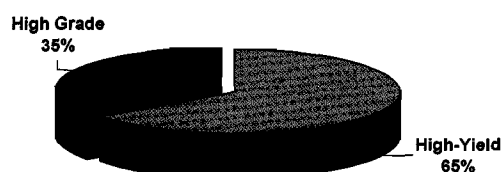


Source: Deutsche Bank.

⁷ The Venezuelan state-run oil giant sold US\$ 7.5 billion of bonds in early April 2007, as part of a plan to reduce liquidity in the foreign exchange market. The offering was only sold to locals, who could then sell them to international investors after 40 days.

Although the credit quality of issues in the region continued to improve as upgrades outpace downgrades, the share of high-yield corporate issuance increased compared to high-grade issuance in 2007. According to Deutsche Bank, this is explained by Latin American lower quality corporate credits now being able to tap the international capital markets, while higher quality corporate issuers have the option to refinance its bond debt with syndicated loans at lower costs, thus “disappearing” from the new issuance tables. For 2007, 65% of new issues were non-investment grade, up from just 35% in 2004. Of the total number of issuers, 40% were first time issuers, up substantially from the 34% registered in 2006. Roughly 90% from these “new issuers” was non-investment grade, compared to 65% overall, highlighting investors’ willingness to increase risk in their search for yield (see chart 18).⁸

Chart 18:
New Latin American Corporate Issuance
by Rating Type
2007



Source: Deutsche Bank.

Sovereigns to tap the international capital markets in 2007 were Brazil, Colombia, Jamaica, Mexico, Panama, Peru and Uruguay, with the provinces of Buenos Aires, Neuquen and the city of Bogotá also tapping international capital markets. Local-currency issuance accounted for 65% of the total amount issued by these sovereigns. Sovereign issuance amounted to 22% of Latin American issuance in 2007. 75.7% of the Latin American bonds issued (sovereign and corporate combined) were denominated in dollars, 4.3% in euros, and 19.5% in local currencies, which included Brazilian reais, Mexican, Uruguayan, Argentine and Colombian pesos, and Peruvian soles (see tables 1 and 2). With sovereign debt stock shrinking, new inflows moved to corporate and local currency debt in 2007.

Table 1
Currency Breakdown
(% of Latin America's Total)

Currency	2007
Dollar	75.68%
Euro	4.29%
JPY	0.58%
Other*	19.45%

* Issuance in Brazilian Reais, Mexican, Uruguayan, Argentine, Colombian Pesos, and Peruvian Soles.

Source: ECLAC, with data from JP Morgan, Deutsche Bank, Latin Finance.

Brazil was the biggest sovereign issuer in 2007, with a share of 31.3% of the region's total sovereign issuance, followed by Peru with 16.3% and Colombia with 14.2%. Brazil was also among the top five issuers in emerging markets (sovereign and corporate issuance combined) in the period, ranking fourth, with total issuance amounting to US\$ 10.6 billion, followed by Mexico in fifth with

⁸ “Latam Corporates, 2007 In Review,” Deutsche Bank, 15 January 2008.

US\$ 10.3 billion (see table 3). Brazil issued 25.5% of the total Latin American issuance in 2007. Mexico was the second bigger issuer in the region (sovereign and corporate combined), with total issuance of US\$ 10.3 billion or 24.8% of the Latin American total. Venezuela was the third, with total issuance of US\$ 7.5 billion or 18.1% of the Latin American total.

Table 2: LAC Global Local-Currency Denominated Bond Issues in 2007

Announcement Date	Country	Issuers	Currency	Maturity	US\$ Equivalent (million)
16-Jan-07	Brazil	CESP	BRL	15-Jan-15	352
7-Feb-07	Brazil	Brazil, Federal Republic of Brazil	BRL	10-Jan-28	720
20-Mar-07	Brazil	Brazil, Federal Republic of Brazil	BRL	10-Jan-28	364
23-Mar-07	Mexico	CCM	MXN	30-Mar-27	272
29-Mar-07	Uruguay	Uruguay, Oriental Republic of Uruguay	UYU	5-Apr-27	498
30-Mar-07	Brazil	BancoVotorantim	BRL	10-Apr-14	97
26-Apr-07	Argentina	Banco Santander Rio	ARS	3-May-10	146
2-May-07	Mexico	Grupo Televisa	MXN	11-May-37	419
10-May-07	Brazil	Brazil, Federal Republic of Brazil	BRL	10-Jan-28	387
23-May-07	Brazil	Banco Itau	BRL	30-May-12	204
12-Jun-07	Colombia	Colombia, Republic of Colombia	COP	28-Jun-27	1005
15-Jun-07	Brazil	RBS Zero Hora	BRL	15-Jun-17	158
19-Jun-07	Brazil	Brazil, Federal Republic of Brazil	BRL	10-Jan-28	389
21-Jun-07	Uruguay	Uruguay, Oriental Republic of Uruguay	UYU	26-Jun-37	501
26-Jun-07	Mexico	Aeroinvest	MXN	6-Jul-13	30
26-Jun-07	Mexico	Aeroinvest	MXN	25-Apr-14	197
26-Jun-07	Mexico	Aeroinvest	MXN	25-Jul-08	31
13-Jul-07	Brazil	Banco Brasil	BRL	18-Jul-17	187
17-Jul-07	Brazil	Ambev	BRL	24-Jul-17	162
19-Jul-07	Colombia	Bogota	COP	26-Jul-28	300
19-Jul-07	Peru	Peru, Republic of Peru	PEN	12-Aug-37	1503
15-Oct-22	Peru	Banco Credito del Peru	PEN	15-Oct-22	160
Total					8,082

Source: ECLAC, on the basis of data from JPMorgan.

Table 3

**Top 5 Issuers
in Emerging Markets*
2007**

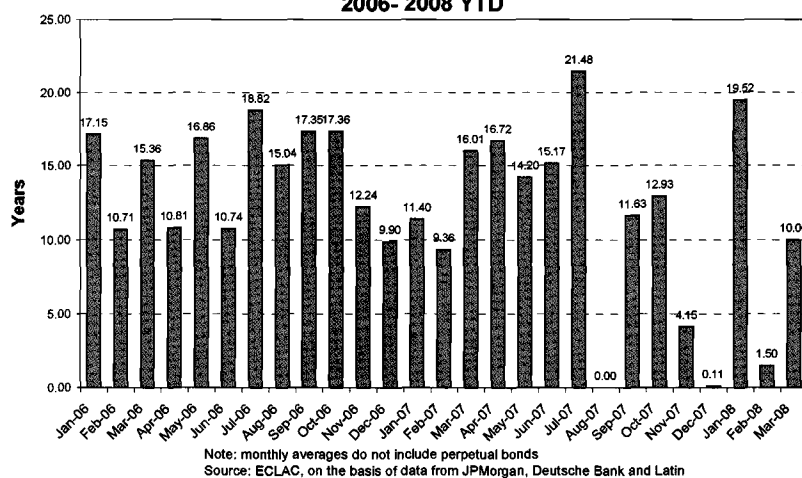
Amount (US\$m)	country
31,241	Russia
14,523	UAE
12,581	Korea
10,608	Brazil
10,296	Mexico

* Sovereign and Corporate Combined

Source: ECLAC, with data from JPMorgan, Deutsche Bank, Latin Finance.

While the gross supply of sovereign external debt has diminished, the maturity of the debt issued has increased. Favorable borrowing conditions and improved debt structures were reflected on the higher average maturity of the new debt issued in the region in the first half of the year (see chart 19). New issues in 2007 concentrated on the long end of the curve, and active liability management operations by Brazil and Mexico contributed to accelerate the credit curve extension process. The proportion of 20- to 30-year sovereign debt issued has increased, while Brazilian and Mexican corporates issued six and three perpetual bonds each in 2007. Perpetual bonds have no maturity date, thus are not redeemable, but pay a steady stream of interest forever. A perpetual bond offers a longer duration for investors seeking long-term investments.

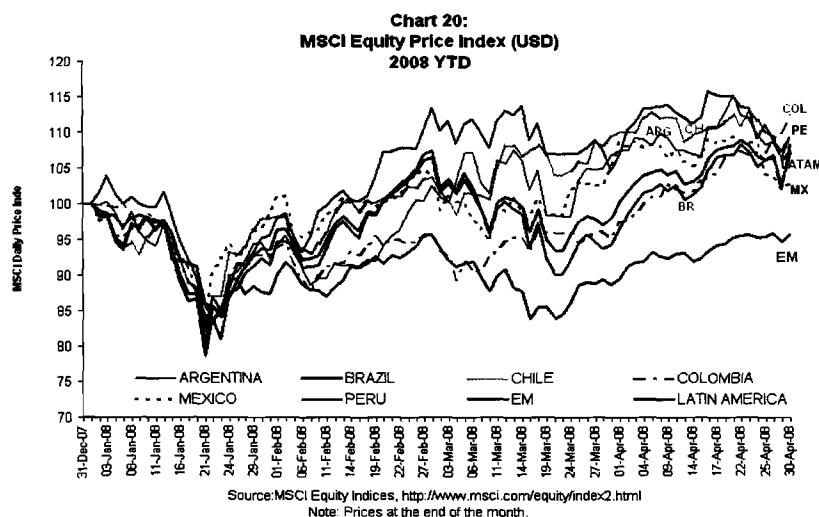
Chart 19:
New Latin American Debt Issuance: Average Maturity
2006- 2008 YTD



In summary, the Latin American debt market continued its maturation process in 2007, characterized by proactive liability management, an extension in the maturity profile of debt, increase in the share of domestic financing and development of domestic capital markets, as well as legislative improvements and structural reforms.

II. Portfolio equity flows into Latin America

Latin American equity has outperformed other emerging markets since the beginning of 2008, but the next two quarters may be more challenging if global markets continue to be weak. At the end of the first quarter in March, Latin American stocks had outperformed global EM for the seventh consecutive month, according to Citi, which pointed out that the last time this happened was 1997. Supported by the commodity boom, relatively strong domestic growth and cheap valuations, Latin stocks have been among the best performers on a global basis. Just on April 30, Standard & Poor's upgraded Brazil's foreign-currency debt to investment grade, pushing the country's stock benchmark index to a record. Rising inflation or a more severe global economic slowdown might still hit Latin American stock markets, but so far they have been a much safer place for investors than other emerging markets. Long-term prospects for the region's equity markets should be supported by robust commodity prices, strong domestic demand growth in Brazil and the region's perceived lower risk of receiving credit downgrades.

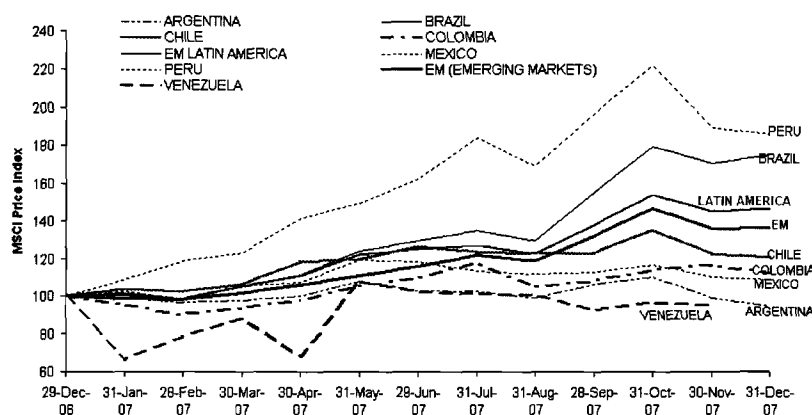


When stocks dropped sharply in January, it looked as if Latin America's five-year bull run would be over, but the region turned things around (see chart 20). Year-to-date (January to April), Latin

America's MSCI has gained 7% in dollar terms, while EM's MSCI has lost 3%. Colombia has showed the biggest gain (12%), followed by Argentina and Peru (9%), Brazil (8%), Chile (7%) and Mexico (3%). One of the reasons, according to market analysts, is the fact that Latin stocks never reached the steep valuation that investors awarded companies in Asia during the past few boom years. Investors are paying attention to fundamentals and see the region as still relatively inexpensive and where earnings are attractive.

Latin American equity markets also registered remarkable gains in 2007, despite losses in August due to the credit turmoil. The Morgan Stanley Capital International (MSCI) Latin American Price Index gained 47% in 2007. Peru and Brazil registered impressive gains, surging 86% and 75%. Chile and Colombia registered double digit gains of 21% and 13%, respectively, while Mexico gained 9%. Argentina was the only country in our sample to register a loss in 2007, -5% (see chart 21, table 4).⁹

Chart 21:
MSCI Equity Price Index (USD)
2007



Source: MSCI Equity Indices, <http://www.msci.com/equity/index2.html>
Note: prices at the end of the month. No data available for Venezuela in December 2007.

Table 4: Stock Price Indices
Q4 2007 and Q1 2008

	Price Index in USD			Variation			
	28-Sep-07	31-Dec-07	31-Mar-08	Q4/07	Q1/08	Dec06-Dec07	Mar07-Mar08
Emerging markets	1204.9	1,245.594	1,104.582	3.38%	-11.32%	36.48%	18.90%
Latin America	4139.64	4,400.409	4,316.14	6.30%	-1.92%	46.89%	36.45%
Argentina	3284.08	2,918.834	3,120.692	-11.12%	6.92%	-5.36%	3.52%
Brazil	3430.59	3,867.159	3,648.336	12.73%	-5.66%	75.35%	56.86%
Chile	1840.48	1,802.836	1,972.186	-2.05%	9.39%	20.80%	23.83%
Colombia	598.07	619.260	589.998	3.54%	-4.73%	12.64%	14.15%
Mexico	6192.37	5,992.137	6,288.188	-3.23%	4.94%	9.28%	8.36%
Peru	1320.03	1,248.697	1,306.655	-5.40%	4.64%	86.00%	57.77%
Venezuela	161.59	n/a	n/a	n/a	n/a	na	na

Source: MSCI Equity Indices, <http://www.msci.com/equity/index2.html>

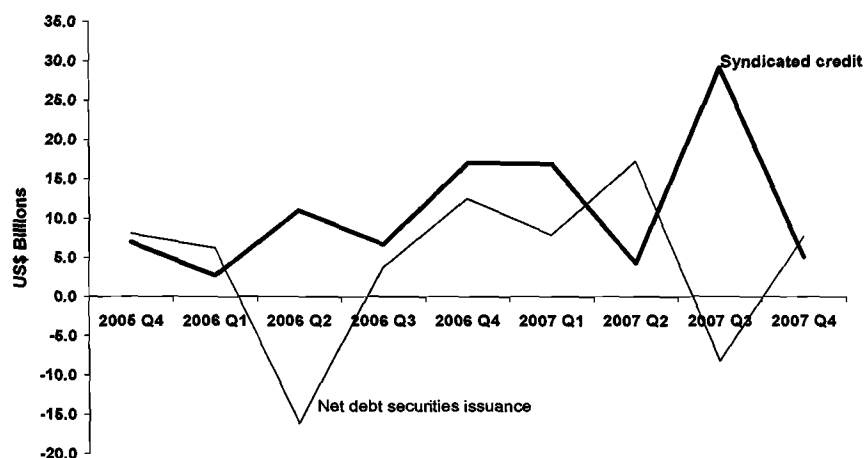
Flows into Latin American equity markets have been strong, suggesting that investors see them as relatively safe heavens. According to the Institute of International Finance (IIF), the pace of net portfolio flows to Latin America almost tripled in 2007 – from US\$ 3.2 billion in 2006 to US\$ 20.4 billion in 2007 – but should rise moderately in 2008. The pace of these flows will depend not only on the fundamentals of the recipient country, but also on U.S. economic prospects and global investor appetite for risk.

⁹ Venezuela registered a loss of 4.5% during the year up to November, with no data available for December.

III. Bank Lending

The pace of loan syndications for corporate and financial institutions in Latin America has been slowing due to higher lending costs, which is a result of the ongoing turmoil in global credit markets. In the fourth quarter of 2007, the latest data available, activity in the international market for syndicated loans was not as strong as in the previous quarter, while international bond and note issuance expanded significantly. In the previous quarter, during the turmoil that hit credit markets over the summer, syndicated lending resurged, picking up some of the slack left by bond markets (see chart 22).

Chart 22:
Announced Syndicated Lending and Securities Issuance in Latin America & Caribbean



Source: ECLAC, on the basis of data from the Bank for International Settlements (BIS).

* Net Issuance: Gross Issues - Repayments

Although syndicated credits data are not necessarily a reliable proxy for future bank lending, the recent data suggests that bank lending probably slowed towards the end of 2007. Most major commercial banks are currently operating under significant balance sheet constraints, and it is possible that these will

cause international bank lending to decline in 2008. The IIF projects that net flows from banks are likely to fall sharply in 2008. For Latin America, the projected decline is from US\$ 11.9 billion in 2007 to US\$ 5.6 billion in 2008. Net flows to Brazil and Mexico are expected to drop substantially, from US\$ 7.5 billion in 2007 to US\$ 1.9 billion in 2008, and from US\$ 2.3 billion to US\$ 0.8 billion, respectively. The projected reduction in net bank lending, reflects a combination of three factors: a decline in the demand for borrowing from banks; an increase in caution on the banks' part, especially since the onset of the recent turmoil; and the presence of balance sheet constraints as a result of commitments to fund both leveraged buyouts (LBOs) and asset-backed conduits and structured investment vehicles (SIVs), which have reduced credit availability to all borrowing, emerging markets and Latin American borrowers included.

IV. Prospects

Looking ahead, the key external risks to Latin American markets' outlook include a worsening of the turmoil in credit markets, a deeper and more prolonged downturn in the United States and a sharper slowdown in global growth affecting the commodity boom.

A more protracted downturn in the U.S. economy will affect Latin American countries differently this time: some will receive a more direct impact due to tight trade links with the U.S., while others will feel the impact mainly through lower global growth. The impact has already been felt differently throughout the region. Argentina and Venezuela have been the most affected by the increase in risk aversion, with their spreads widening more than for other Latin American countries. Brazil and Colombia have been the most affected by the volatility in the exchange rate, experiencing the biggest currency appreciation since the Federal Reserve's interest rate cut on September 18 of last year. Chile, Mexico and Colombia saw an impact on their equity markets. Mexico and Central America are expected to feel the biggest impact from a deeper downturn in the U.S. because of their strong trade links, and because of the significant flow of remittances from migrants.

Markets believe that the adverse impact of a U.S. downturn on Mexico's economy should be less than in the past, however, due to the strength of Mexico's domestic economy and of its fundamentals. Investors also see Brazil, Chile and Peru well positioned to withstand the U.S. downturn, given their flexible exchange rate regimes and consistent fiscal prudence.

Appendix

A. Credit Ratings

Table 1:
Credit Ratings in Latin America

	Moody's		S&P		Fitch		Recent Moody's Action		Recent S&P Action		Recent Fitch Action	
	Rating	View	Rating	View	Rating	View	Action	Date	Action	Date	Action	Date
Argentina	B3	(+)	B+	(-)	RD		O/L changed to (+)	16-Jan-07	O/L changed to (-), Affirmed	25-Apr-08	Downgrade outlook withdrawn	3-Dec-01
Barbados	Baa2		BBB+		nr		Affirmed, stable	9-Jul-02	Affirmed, O/L stable	17-Aug-07		
Belize	Caa1		B		nr		Upgrade, O/L stable	13-Feb-07	Affirmed, O/L stable	10-Dec-07		
Bolivia	B3		B-		B-		Affirmed, stable	16-Apr-03	O/L changed to stable, Affirmed	2-Nov-07	O/L changed to stable, Affirmed	27-Jul-07
Brazil	Ba1		BBB-		BB+		Upgraded, O/L stable	23-Aug-07	Upgrade, O/L stable	30-Apr-08	Upgrade, O/L stable	9-May-07
Chile	A2		A+		A	(+)	Upgrade, stable	7-Jul-06	Upgrade, O/L stable	18-Dec-07	O/L changed to (+), Affirmed	15-May-07
Colombia ^a	Ba2	(+)	BB+		BB+		O/L changed to (+)	25-Jul-07	Affirmed, O/L stable	25-Feb-08	Upgrade, O/L stable	21-Jun-07
Costa Rica ^a	Ba1		BB		BB		Affirmed O/L changed to stable	27-Jun-06	Affirmed, O/L stable	8-Oct-07	Affirmed, O/L stable	1-Nov-07
Cuba	Caa1		nr		nr		Assigned	5-Apr-99				
Dominican Republic	B2		B+	-	B	(+)	Upgrade, stable	2-May-07	CreditWatch (-)	8-Feb-08	Affirmed, O/L (+)	30-Aug-07
Ecuador	B3		B-		CCC		Upgrade, stable	20-Mar-08	Upgrade, O/L stable	20-Nov-07	O/L changed to stable, Affirmed	30-Oct-07
El Salvador	Baa3		BB+		BB+		O/L changed to stable	18-Dec-03	Affirmed, stable	25-Jul-07	Affirmed, O/L stable	27-Feb-08
Guatemala	Ba2	(+)	BB	(+)	BB+		O/L changed to (+)	24-Jul-06	O/L changed to (+), Affirmed	6-Jul-07	Affirmed, O/L stable	19-Jul-07
Honduras	B2		nr		nr		Affirmed, stable	29-Sep-98				
Jamaica	B1		B		B+		Downgrade, stable	27-May-03	Affirmed, stable	7-Mar-07	Affirmed, O/L stable	12-Oct-07
Mexico	Baa1		BBB+		BBB+		Upgrade, stable	6-Jan-05	Upgrade, O/L stable	8-Oct-07	Upgrade, O/L stable	19-Sep-07
Nicaragua	Caa1		nr		nr		Downgrade, stable	30-Jun-03				
Panama	Ba1		BB+		BB+	(+)	Affirmed, stable	7-May-03	Upgrade, O/L stable	26-Feb-08	O/L changed (+), Affirmed	25-Jan-08
Paraguay	B3		B		nr		Upgrade, O/L stable	9-Apr-08	Upgrade, O/L stable	4-Jun-07		
Peru	Ba2		BB+	(+)	BBB-		Upgrade, O/L changed to stable	16-Jul-07	O/L changed to (+), Affirmed	23-Jul-07	Upgrade, O/L stable	2-Apr-08
Trinidad & Tobago	Baa1		A-	(+)	nr		Upgrade, stable	13-Jul-06	O/L changed to (+), Affirmed	27-Sep-07		
Uruguay ^a	B1		B+	(+)	BB-		Upgrade, O/L stable	21-Dec-06	O/L changed to (+), Affirmed	3-May-07	Upgrade, O/L stable	27-Jul-07
Venezuela	B2		BB-		BB-	(-)	Upgrade, stable	7-Sep-04	O/L changed to stable, Affirmed	11-Jan-07	O/L changed to (-), Affirmed	18-Oct-08

Changes for 2007 and 2008 YTD are in red.

Note: Moody's ratings are qualified by outlooks and reviews while S&P and Fitch ratings are qualified by outlooks and watches.

A review/watch is indicative of a likely short-term development.

An outlook suggests that a review/watch or long/intermediate-term movement is likely.

Source: JPMorgan, Emerging Markets Outlook and Strategy.

^a S&P upgrades reflect issuer rating, while country issuer rating is one notch lower.

B. Latin American Spreads

Table 2:

Sovereign Spreads on JPMorgan EMBI+ and Latin American Composites									
	EMBI+	Argentina	Brazil	Colombia	Ecuador	Mexico	Peru	Venezuela	Latin America
31-Jan-05	366	5129	418	365	644	162	239	461	439
28-Feb-05	343	4980	393	344	632	153	211	437	419
31-Mar-05	384	5393	458	396	660	180	239	459	466
29-Apr-05	395	6298	457	407	810	188	234	492	482
31-May-05	372	6498	420	354	875	164	206	498	455
30-Jun-05	307	462	414	332	808	168	206	466	350
29-Jul-05	290	413	402	317	735	152	173	434	331
31-Aug-05	296	439	413	309	727	152	169	425	337
30-Sep-05	244	349	345	236	634	136	138	309	280
31-Oct-05	253	371	357	258	660	132	176	302	288
30-Nov-05	248	495	340	239	642	117	158	323	288
30-Dec-05	245	504	311	238	669	126	206	318	283
31-Jan-06	217	440	266	195	579	115	160	251	243
28-Feb-06	191	354	221	158	574	103	143	228	210
31-Mar-06	192	344	235	174	524	127	187	190	215
28-Apr-06	178	314	218	157	483	122	181	167	199
31-May-06	215	369	273	207	504	146	178	212	239
30-Jun-06	221	385	254	239	519	138	169	228	235
31-Jul-06	196	346	223	208	488	120	152	200	209
31-Aug-06	194	320	223	204	532	111	135	208	209
29-Sep-06	208	342	233	200	608	121	171	233	224
31-Oct-06	194	294	223	185	513	113	150	225	209
30-Nov-06	199	298	223	192	612	121	158	235	217
29-Dec-06	169	216	192	161	920	98	118	182	186
31-Jan-07	172	193	182	165	822	106	131	211	188
28-Feb-07	185	228	195	180	717	114	136	224	198
30-Mar-07	166	204	167	157	650	97	129	206	175
30-Apr-07	164	272	156	140	600	88	114	222	173
31-May-07	153	277	142	117	620	75	100	259	168
29-Jun-07	175	325	160	119	711	95	117	341	197
31-Jul-07	219	449	208	174	711	124	158	362	242
31-Aug-07	223	450	195	197	676	110	166	450	246
28-Sep-07	201	398	173	166	616	112	137	398	222
31-Oct-07	186	312	167	148	575	99	137	359	203
30-Nov-07	246	401	220	200	616	148	188	531	271
31-Dec-07	239	410	221	195	614	149	178	506	268
31-Jan-08	273	466	255	256	649	179	205	514	302
29-Feb-08	291	503	265	258	640	172	215	562	313
31-Mar-08	308	581	284	258	662	168	223	638	336

Source: "Emerging Markets Bond Index Monitors"; JPMorgan.

EMBI+ composition by market sector (end-Mar 2008): Brady 15.86%; Benchmark Eurobonds 84.14%.

by country: Brazil, Mexico and Venezuela account for 39.25% of the total weighting.

by region: Latin: 53.47%; Non-Latin: 46.53%.

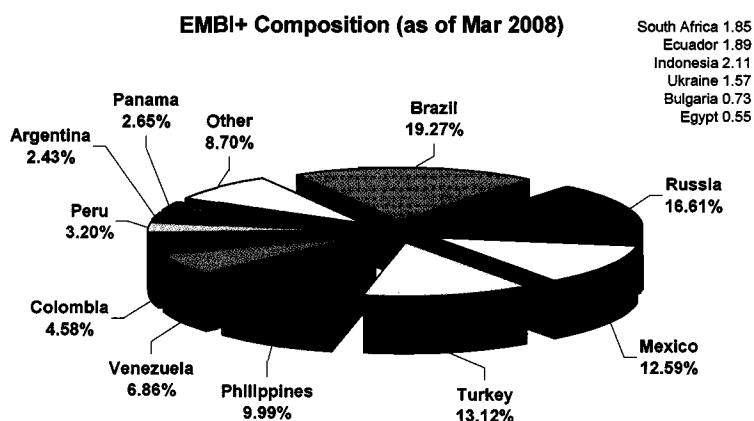


Table 3:

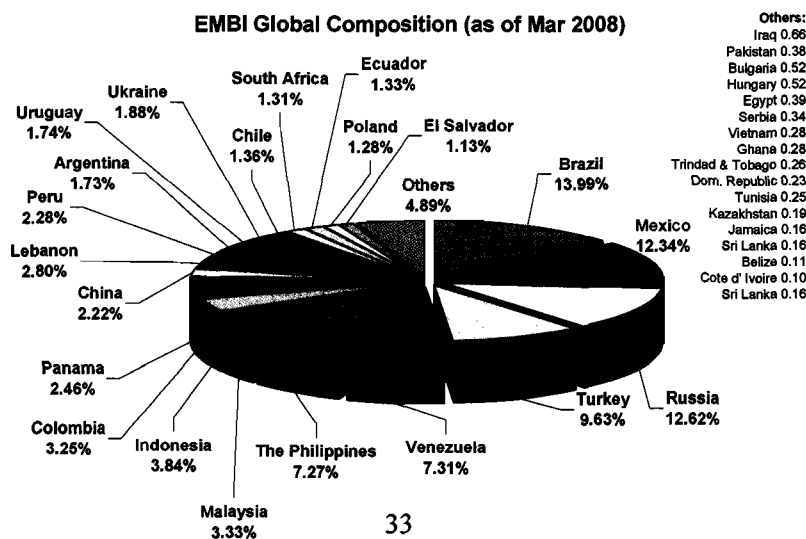
Sovereign Spreads on JPMorgan EMBI Global and Latin American Composites											
	EMBI Global	Argentina	Brazil	Chile	Colombia	Ecuador	Mexico	Peru	Uruguay	Venezuela	Latin America
31-Jan-05	356	5022	412	60	364	644	172	267	402	452	434
28-Feb-05	333	4827	388	59	343	632	161	247	344	427	413
31-Mar-05	373	5105	455	71	393	660	188	277	427	455	459
29-Apr-05	384	5757	452	72	406	810	198	279	470	491	473
31-May-05	364	5956	415	68	353	875	176	251	446	494	448
30-Jun-05	297	462	409	60	331	808	181	252	406	460	337
29-Jul-05	276	413	397	56	316	735	165	218	366	430	316
31-Aug-05	281	439	409	55	307	727	165	223	376	419	320
30-Sep-05	235	349	341	55	240	634	82	183	310	303	267
31-Oct-05	242	371	353	74	261	660	146	213	327	298	274
30-Nov-05	237	495	337	74	243	642	133	199	320	318	274
30-Dec-05	237	504	308	80	244	661	143	257	298	313	272
31-Jan-06	210	440	264	73	200	565	132	203	247	248	233
28-Feb-06	187	354	218	68	156	551	122	185	231	223	204
31-Mar-06	191	344	232	73	263	503	140	226	223	190	208
28-Apr-06	179	314	215	78	157	461	135	205	224	167	194
31-May-06	210	369	270	85	207	487	157	209	271	212	230
30-Jun-06	218	385	252	83	239	506	154	202	307	226	231
31-Jul-06	197	346	222	88	208	470	135	184	265	199	206
31-Aug-06	197	320	222	85	204	515	130	170	252	207	205
29-Sep-06	208	342	232	85	202	608	141	169	254	233	218
31-Oct-06	194	294	222	81	197	513	132	150	229	225	204
30-Nov-06	200	298	221	90	208	612	140	158	231	234	211
29-Dec-06	171	216	190	84	161	920	115	118	185	183	180
31-Jan-07	174	193	189	78	165	822	124	131	193	213	183
28-Feb-07	187	228	194	84	180	717	132	136	211	225	193
30-Mar-07	170	204	167	85	157	650	116	129	184	207	173
30-Apr-07	167	272	156	79	140	600	107	114	170	222	169
31-May-07	155	277	142	80	117	620	93	100	141	257	161
29-Jun-07	181	325	160	83	119	711	111	117	157	354	196
31-Jul-07	225	449	207	110	174	711	141	158	213	382	240
31-Aug-07	197	450	195	107	197	676	131	166	237	479	250
28-Sep-07	214	398	172	124	166	616	131	137	212	419	227
31-Oct-07	201	312	166	112	148	575	121	137	191	383	210
30-Nov-07	261	401	219	143	200	616	170	188	244	556	279
31-Dec-07	255	410	220	151	195	614	172	178	243	523	275
31-Jan-08	287	466	254	171	256	649	198	205	293	532	309
29-Feb-08	306	503	265	166	258	640	191	215	321	583	323
31-Mar-08	324	581	283	176	258	662	193	223	343	661	347

Source: "Emerging Markets Bond Index Monitors"; JPMorgan.

EMBI Global composition by market sector (end-Mar 2008): Brady, 12.33%; Benchmark Eurobonds 87.67%.

by country: Brazil, Mexico and Venezuela account for 33.52% of the total weighting.

by region: Latin: 49.55%; Non-Latin: 50.45%.



C. New Latin American Debt Issuance

C1. January 2007

Table 4:

New Latin American Debt Issuance					
First Quarter of 2007					
Jan-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Banco Macro	USD150	150	8.50%	1-Feb-17
Brazil	CESP	BRL750	352	9.75%	15-Jan-15
Brazil	GP Investments	USD150	150	10.00%	Perpetual
Brazil	Cosan	USD400	400	7.00%	1-Feb-17
Brazil	Minerva	USD150	150	9.50%	1-Feb-17
Brazil	Isa Capital	USD200	200	7.88%	30-Jan-12
Brazil	Isa Capital	USD354	354	8.80%	30-Jan-17
Brazil	Federal Republic of Brazil	USD500	500	7.13%	20-Jan-37
Brazil	Independencia	USD225	225	9.88%	31-Jan-17
Mexico	Maxcom Telecomunicaciones	USD25	25	11.00%	15-Dec-14
Mexico	Vitro	USD700	700	9.13%	1-Feb-17
Mexico	Vitro	USD300	300	8.63%	1-Feb-12
Supranational	CAF	USD250	250	5.75%	12-Jan-17
Total			3,756		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C2. February 2007

Table 5:

New Latin American Debt Issuance					
First Quarter of 2007					
Feb-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Impsat	USD225	225	9.875%	15-Feb-17
Brazil	Minerva	USD50	50	9.500%	1-Feb-17
Brazil	Federal Republic of Brazil	BRL1500	720	10.250%	10-Jan-28
Brazil	Vigor	USD100	100	STEP	22-Feb-17
Chile	Pampa Calichera	USD250	250	7.375%	14-Feb-22
Jamaica	Digicel	USD1000	1000	8.875%	15-Jan-15
Jamaica	Digicel	USD400	400	9.125%	15-Jan-15
Mexico	CEMEX	USD750	750	6.640%	Perpetual
Mexico	IxeBanco	USD120	120	9.750%	Perpetual
Total			3,615		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C3. March 2007

Table 6:

New Latin American Debt Issuance					
First Quarter of 2007					
Mar-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Banco Bradesco	USD200	200	5.500%	1-Apr-08
Brazil	GOL	USD225	225	7.500%	3-Apr-17
Brazil	Brazil, Federal Republic of Brazil	BRL750	364	10.250%	10-Jan-28
Brazil	Banco Cruzeiro	USD35	35	6.700%	30-Mar-09
Brazil	Rede Empresas de Energia Electrica	USD400	400	11.125%	Perpetual
Brazil	Banco Votorantim	BRL200	97	10.625%	10-Apr-14
Dominican Republic	Cerveceria Nacional Dominica	USD255	255	8.000%	27-Mar-14
Dominican Republic	Cerveceria Nacional Dominica	USD175	175	16.000%	27-Mar-12
Jamaica	Government of Jamaica	USD350	350	8.000%	15-Mar-39
Mexico	CCM	MXN3000	272	8.700%	30-Mar-27
Panama	Panama, Republic of Panama	USD450	450	6.700%	26-Jan-36
Uruguay	Uruguay, Oriental Republic of Uruguay	UYU12000	498	4.250%	5-Apr-27
Total			3,321		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C4. April 2007

Table 7:

New Latin American Debt Issuance					
Second Quarter of 2007					
Apr-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Province of Buenos Aires	USD400	400	9.625%	18-Apr-28
Argentina	Banco Santander Rio	ARS450	146	11.375%	3-May-10
Brazil	Banco Panamericano	USD75	75	7.375%	16-Apr-10
Brazil	Brazil, Federal Republic of Brazil	USD525	525	6.000%	17-Jan-17
Brazil	Globopar	USD200	200	7.250%	26-Apr-22
Brazil	TAM	USD300	300	7.375%	25-Apr-17
Brazil	Banco Mercantil do Brasil	USD100	100	7.750%	8-May-12
Dominican Republic	EGE Haina	USD175	175	9.500%	26-Apr-17
Venezuela	PDVSA	USD1500	1500	5.500%	12-Apr-37
Venezuela	PDVSA	USD3000	3000	5.375%	12-Apr-27
Venezuela	PDVSA	USD3000	3000	5.250%	12-Apr-17
Total			9,421		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C5. May 2007

Table 8:

New Latin American Debt Issuance					
Second Quarter of 2007					
May-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Petrobras Energia SA	USD300	300	5.875%	15-May-17
Argentina	Alto Palermo	USD50	50	Variable	11-Jun-12
Argentina	Transportadora de Gas del Sur	USD500	500	7.875%	14-May-17
Argentina	Autopistas del Sol SA	USD155	155	11.500%	23-May-17
Argentina	Province del Neuquen	USD125	125	8.656%	18-Oct-14
Argentina	Banco Macro	USD100	100	10.750%	12-Jun-11
Brazil	Brazil, Federal Republic of Brazil	BRL750	387	10.250%	10-Jan-28
Brazil	Sadia Overseas	USD250	250	6.875%	24-May-17
Brazil	Banco Itau	BRL387	204	9.210%	30-May-12
Colombia	Bancolombia	USD400	400	6.875%	25-May-17
Mexico	Grupo Televisa	MXN4500	419	8.490%	11-May-37
Mexico	Desarrollos Metropolitan	USD200	200	10.875%	9-May-17
Mexico	Cemex	EUR730	978	Variable	9-May-49
Mexico	BBVA Bancomer	USD500	500	Variable	17-May-22
Mexico	BBVA Bancomer	EUR600	804	Variable	17-May-17
Total			5,372		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C6. June 2007

Table 9:

New Latin American Debt Issuance					
Second Quarter of 2007					
Jun-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Banco Hipotecario	USD150	150	11.250%	21-Jun-10
Argentina	Banco Comafi	USD75	75	Variable	27-Jun-12
Argentina	Alto Parana	USD270	270	6.470%	9-Jun-17
Argentina	Tarjetas Cuyanas	USD65	65	12.000%	14-Jun-12
Brazil	RBS Zero Hora	BRL300	158	11.250%	15-Jun-17
Brazil	Brazil, Federal Republic of Brazil	BRL750	389	10.250%	10-Jan-28
Colombia	Colombia, Republic of Colombia	COP1920000	1005	9.850%	28-Jun-27
Mexico	Aeroinvest	MXN325	30	11.066%	6-Jul-13
Mexico	Aeroinvest	MXN2125	197	7.750%	25-Apr-14
Mexico	Aeroinvest	MXN335	31	MXIBT+325	25-Jul-08
Supranational	CAF	JPY10000	81	2.320%	20-Jun-14
Supranational	CAF	JPY20000	162	1.670%	21-Jun-10
Uruguay	Oriental Republic of Uruguay	UYU11934	501	3.700%	26-Jun-37
Total			3,115		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C7. July 2007

Table 10:

New Latin American Debt Issuance					
Third Quarter of 2007					
Jul-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Hidroelec Piedra Aguila	USD100	100	9.000%	11-Jul-17
Brazil	Banco Brasil	BRL350	187	9.750%	18-Jul-17
Brazil	Ambev	BRL300	162	9.500%	24-Jul-17
Brazil	Lupatech	USD200	200	9.875%	Perpetual
Colombia	Bogota	COP579000	300	9.750%	26-Jul-28
Mexico	BancaMifel	USD100	100	11.00%	Perpetual
Peru	Peru, Republic of Peru	PEN4750	1503	6.900%	12-Aug-37
Peru	Lima Airport	USD164	164	Step	15-Jun-22
Total			2,716		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C8. August 2007

No issuance.

C9. September 2007

Table 11:

New Latin American Debt Issuance					
Third Quarter of 2007					
Sep-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Rede Empresas de Energia Elctrica	USD175	175	11.125%	Perpetual
Brazil	GP Investments	USD190	190	10.000%	Perpetual
Colombia	TGI	USD750	750	9.500%	3-Oct-17
Mexico	Mexico, UMS, United Mexican States	USD500	500	6.750%	27-Sep-34
Mexico	Mexico, UMS, United Mexican States	USD500	500	5.625%	15-Jan-17
Mexico	Grupo Senda	USD150	150	10.500%	3-Oct-15
Mexico	Corporacion Durango	USD520	520	10.500%	5-Oct-17
Total			2,785		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C10. October 2007

Table 12:

New Latin American Debt Issuance Fourth Quarter of 2007 Oct-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Argentina	Edenor	USD220	220	10.50%	9-Oct-17
Argentina	Impsat	USD225	225	1125.00%	22-Oct-11
Brazil	Odebrecht	USD200	200	7.500%	18-Oct-17
Brazil	Gerdau	USD1000	1000	7.250%	20-Oct-17
Brazil	Petrobras	USD1000	1000	5.875%	1-Mar-18
Colombia	Empresa Energia de Bogota	USD610	610	8.750%	31-Oct-14
Jamaica	Government of Jamaica	USD150	150	8.000%	15-Mar-39
Mexico	Grupo Kuo	USD200	200	9.750%	17-Oct-17
Mexico	Pemex	USD1500	1500	5.750%	17-Oct-18
Mexico	Pemex	USD500	500	6.630%	17-Oct-35
Mexico	America Movil	USD600	600	5.625%	15-Nov-17
Mexico	America Movil	USD400	400	6.125%	15-Nov-37
Peru	Banco Credito del Peru	PEN483	160	7.170%	15-Oct-22
Total			6,765		

Source: JPMorgan, Deutsche Bank, and Latin Finance.

C11. November 2007

Table 13:

New Latin American Debt Issuance Fourth Quarter of 2007 Nov-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Aruba	Aruba	USD46	46	na	6-Nov-19
Brazil	Banco Mercantil do Brasil	USD175	175	8.500%	8-Nov-10
Brazil	BR Malls International	USD175	175	9.750%	Perpetual
Brazil	Banco Votorantim	USD4	4	na	27-May-09
Panama	Newland International Properties	USD220	220	9.500%	14-Nov-14
Supranational	CAF	USD46	46	1.470%	29-Nov-10
Total			666		

Source: Deutsche Bank and Latin Finance.

C12. December 2007

Table 14:

New Latin American Debt Issuance Fourth Quarter of 2007 Dec-07					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Banco Cruzeiro do Sul	USD30	30	7.50%	25-May-07
Total			30		

Source: Deutsche Bank.

C13. January 2008

Table 15:

New Latin American Debt Issuance First Quarter of 2008 Jan-08					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Usiminas	USD400	400	7.25%	18-Jan-18
Brazil	Banco Itau	USD100	100	4.10%	24-Jan-09
Brazil	Petrobras	USD750	750	5.88%	1-Mar-18
Colombia	Colombia, Republic of Colombia	USD350	350	7.38%	18-Sep-37
Colombia	Colombia, Republic of Colombia	USD650	650	7.38%	27-Jan-17
Mexico	Mexico, UMS, United Mexican States	USD1500	1,500	6.05%	11-Jan-40
Supranational	CAF	USD250	250	5.75%	12-Jan-17
Total			4,000		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C14. February 2008

Table 16:

New Latin American Debt Issuance First Quarter of 2008 Feb-08					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Banco Cruzei	USD100	100	7.25%	20-Aug-09
Total			100		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

C15. March 2008

Table 17:

New Latin American Debt Issuance First Quarter of 2008 Mar-08					
Country	Issuer	Amount (million)	Amount US\$ (mm)	Coupon(%)	Maturity
Brazil	Banco BMG	USD2500	250	6.88%	11-Mar-10
Bahamas	Commonwealth of Bahamas	USD100	100	7.13%	02-Apr-38
Total			350		

Source: "Emerging Markets Outlook and Strategy," JPMorgan.

